

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 OPIC-12 AID-20 PA-04 PRS-01 USIA-15

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FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 9946

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E.O. 11652: N/A

TAGS: BGEN

SUBJECT: BALAGUER STATES HIS POLICY ON PRIVATE INVESTMENT

REF: SD-869

1. PRESIDENT BALAGUER DEDICATED ALMOST ONE-THIRD OF HIS INDEPENDENCE DAY SPEECH TO DESCRIBING HIS PHILOSOPHY ON PRIVATE INVESTMENT IN GENERAL AND FOREIGN PRIVATE INVESTMENT IN PARTICULAR. HE NOTED THAT ALTHOUGH THERE WERE SEVERAL FAIRLY FAMOUS MODELS FOR HOW TO TREAT FOREIGN AND DOMESTIC PRIVATE INVESTMENT, EACH COUNTRY HAD TO CONSTRUCT ITS OWN TO MEET ITS OWN NEEDS. HE ALSO SAID THAT IT WAS IMPORTANT FOR INVESTORS TO KNOW THE RULES OF THE GAME THEY WERE EXPECTED TO PLAY.

2. BALAGUER SAID EXPERIENCE HAS SHOWN THAT THE PRIVATE SECTOR IS BETTER AT PRODUCTIVE ACTIVITY THAN THE STATE AND THAT THE ROLE OF THE PRIVATE SECTOR SHOULD BE TO INCREASE PRIVATE PRODUCTION WHILE THAT OF THE STATE IS TO GUARANTEE SOCIAL JUSTICE. HE SAID THAT IN NO SENSE SHOULD THE STATE BE CONSIDERED A MERE SPECTATOR OF ECONOMIC ACTIVITY. THE STATE MUST DISTINGUISH BETWEEN INVESTMENTS WHICH CONTRIBUTE TO DEVELOPMENT OR WHICH MERELY CONSOLIDATE THE ARCHAIC STRUCTURES OF THE PAST.

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3. BALAGUER EMPHASIZED THAT THE INDEPENDENCE OF COUNTRIES IS A FUNCTION OF THEIR DEVELOPMENT AND IT DOES NOT MATTER WHETHER THIS DEVELOPMENT HAS RESULTED FROM DOMESTIC OR FOREIGN INVESTMENT. HE CITED THE EXAMPLE OF POST WORLD WAR II EUROPEAN RECOVERY TO SHOW THAT EUROPE WAS ABLE TO MOVE FROM A POSITION OF WEAKNESS AND DEPENDENCE TO ONE OF STRENGTH AND INDEPENDENCE THROUGH EXTENSIVE USE OF US LOANS AND PRIVATE INVESTMENT.

4. HE SAID THAT IN RECENT YEARS THE SMALLEST STATES HAVE DEMONSTRATED THAT THEY CAN EXPROPRIATE THE PROPERTY OF EVEN THE BIGGEST FOREIGN INVESTORS. HE THOUGHT THAT SUCH EXPROPRIATIONS PROBABLY DID NOT IMPROVE THE LOT OF THOSE COUNTRIES, BUT THAT THEIR ACTIONS SHOWED CLEARLY THAT NATIONAL GOVERNMENTS ARE SOVEREIGN WITHIN THEIR BORDERS REGARDLESS OF THE SIZE OF THE FOREIGN INVESTOR.

5. BALAGUER SAID HIS GOVERNMENT WOULD NOT USE THE CRITERIA OF CITIZENSHIP IN DETERMINING WHETHER AN INVESTMENT WAS ANTI-NATIONAL OR NOT AND THAT HE BELIEVES THAT INVESTMENTS SHOULD BE JUDGED NOT ON THE BASIS OF WHOSE CITIZENS HAD MADE THEM BUT OF WHAT THOSE INVESTMENTS DID FOR THE DOMINICAN REPUBLIC. HE SAID THAT ALTHOUGH DOMINICANS OFTEN CRITICIZE FOREIGN INVESTORS, THEY FREQUENTLY ARE LOATH TO INVEST IN THE COUNTRY THEMSELVES AND THAT MANY INVESTMENTS BY LOCAL ENTREPRENEURS CONTRIBUTE LITTLE TO THE ECONOMIC OR SOCIAL DEVELOPMENT OF THE COUNTRY.

COMMENT/ BALAGUER APPARENTLY WAS MOVED TO COMMENT SO FULLY ON INVESTMENT BECAUSE OF THE FAIRLY EXTENSIVE PUBLIC DEBATE ON THE PROPER ROLE FOR FOREIGN INVESTMENT WHICH HAS BEEN UNDERWAY FOR SOME WEEKS (REF SD-543). BALAGUER'S REMARKS REPRESENT HIS FULLEST STATEMENT ON PRIVATE AND FOREIGN INVESTMENT, AND, WHILE THEY WILL NOT END THE HEATED PUBLIC DISCUSSION OF THIS SUBJECT, THEY CERTAINLY SHOULD HELP TO NARROW THE FOCUS OF ISSUES.

HURWITCH

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